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The science and art of customer relationship management: A blend of business processes and technology solutions

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Customer Relationship Management (CRM) is recognized as crucial in the success of any business in today’s relationship era where the main aim of an organization is to retain customers. A body of recent research shows that companies that have best harnessed change in CRM architectures have realized significant strategic advantage. CRM is about creating a competitive advantage by being the best at understanding, communicating, delivering and developing existing customer relationships in addition to creating and keeping new customers. An effective CRM strategy aims to personalize the customer’s experiences across all organization touch points. By coordinating the customer’s interactions, a firm is able to optimize customer satisfaction, which translates into increased profitability and revenue. Realizing the significance of CRM in the present relationship era, the firms across the globe have begun to think about CRM as integral to their marketing strategy. However, a successful CRM strategy calls for a perfect alignment between strategy, processes, technology and people. To ensure such coordination among the various components of Customer Relationship Management, a marketer must possess knowledge about its application and implications and therefore, the present paper makes a modest attempt to educate marketers about the same.

Key words: Science and art of customer relationship management, business processes, technology solution.

INTRODUCTION

Although, few years ago marketers were content to sell new customers with a purpose to increase sales faster than their competitors, yet research studies conducted in the recent past in this area reveal that selling to existing customers is more profitable than new customers (Reichheld and Sasser, 1990; O’Brien and Jone 1995; Sahaf, 2000). Therefore, the main focus of a firm in a competitive market is to keep customers. Unfortunately the majority of the marketers in India believe that keeping customers will happen automatically. Not only do they need to change such an attitude if they have to ensure customer retention and compete in a growing global competition but also have to take measures to ensure a profitable customer base. Since markets are becoming increasingly competitive, therefore, firms are finding it difficult to attain the goal of customer retention with traditionally used hard-sell techniques. Many scholars believe that the acquisition and retention of profitable customer base can be achieved by developing and sustaining competitive advantage from customer perspective in terms of relationships, quality, reliability, delivery, speed, price, and research and development, etc (Peel, 1987; Sahaf, 2002)

However, the traditional marketing variables like quality, efficient distribution, customer service, and price are losing their utility as a source of competitive advantage in the market. Therefore, firms need to find new sources of competitive advantage to remain effective in the market. In fact, the success of any source of competitive advantage used by a marketer largely depends on how effectively the source breaks the competition and enables him to achieve the success in the market by forming a valuable loyal customer base (Sahaf, 2002). Many marketing scholars believe that relationship with the
customers can provide firms not only a source of competitive advantage that may not only be difficult for competitors to match but also sustainable competitive advantage (Dekimpe et al., 1997; Reynolds and Beauty, 1999). This belief calls for a greater emphasis on quality relationship between a marketer and his customers as a source of competitive advantage in near future. As a consequence, only such firms that are capable of creating and sustaining relationship with their customers have a much greater chance of achieving success in the market in future. All this brings to light an important fact that developing relations with the customers will be a real challenge for the firms in the future. Research indicates that the high performance marketers are able to build and maintain relationship better than are moderate performers (Manning and Reece, 1998). However, running a relationship through better performance involves the strategy, system, technology and personnel dedicated to maintaining a high performance relationship. Consequently, firms have to integrate strategy, system, and technology through Customer Relationship Management (CRM) to put relationship marketing philosophy into practice. In fact, the effectiveness of an organization is doubtful without CRM capability in general and relationship marketing in particular. Therefore, the marketers need to understand not only the strategic significance of CRM but also its implications for their organizations. It is against this backdrop that the present paper makes an attempt to make business executives understand the operation and application of Customer Relationship Management.

CUSTOMER RELATIONSHIP MANAGEMENT- AN OVERVIEW

In a competitive market the most important asset that a company possesses is its customers because the ultimate measure of its success in the market is determined by what the customers think about its products and services offered, and the people who represent the company. Therefore, every company aims to create market offering capable of meeting the customer needs and expectations better than its competitors with an ultimate goal of creating a positive customer experience and building customer loyalty. To make this happen, the firms need the relevant, adequate and timely information about the different facets of their customers. To meet this challenge the companies have started to incorporate technology in their business processes that has given birth to a new concept called Customer Relationship Management (CRM). This concept which is one of the most talked about topics in business today entails the set of methodologies and tools that a marketer uses to facilitate continuous interaction between him and his customers. CRM is primarily concerned with the use of information technology in the successful implementation of relationship-marketing strategies. Since CRM helps a marketer to assess the value of each customer for his business, therefore, it helps him to identify the valuable customers for whom the relationship programmes will be customized both in terms of content and intensity. Thus, CRM seeks to create, develop and enhance relationships with carefully targeted customers in order to maximize customer value, corporate profitability and thus shareholder value (Berkley and Gupta, 1994). Basically CRM advocates one-to-one marketing where an attempt is made by a firm to develop win-win relationships by becoming customer centric and managing effectively the value exchange process between the firm and the customers.

While the notion of developing better relationship with the customers has been around since commercial activity was first initiated, it is only with the convergence of information technology, telecommunication and internet that the whole concept of CRM really came alive and emerged as a discipline. The works of various authors conceptualize Customer Relationship Management as either a business philosophy or a software product (Gordon, 1998; Reichheld, 1996, Payne, 1997; Gamble et al, 2000; Cross et al, 1996). The former thought considers CRM as a firm’s continuous process of learning about a customer with each interaction whereas the latter thought defines CRM as a database product that collects necessary and timely data about customer with a purpose to use it for business decisions within an organization. A company employing CRM manages the ‘relationship’ with its customers through the manipulation of information about them. The information is shared and transformed into knowledge. Knowledge enables the company to understand the customer and his needs and expectations, and this information in turn is used to enhance the organizations capabilities in order to deliver better value to customers. To optimise the value of a firm’s market offering through customer relationships, CRM makes use of specialized tools, technologies and techniques that facilitate the operation and improvement of front office business functions.

Functionally, siloed organizations may implement a CRM package well; but without appropriate organizational structure and process integration, its goals will not be realized. Therefore, CRM is a cross-functional process designed to maintain a regular interaction with the customers across all their contact and access points with personalized treatment of target customers with a purpose to motivate them to stay with the company (Day, 2000). Thus, an effective CRM strategy aims to personalize the customer’s experience across all enterprise touch points. By coordinating the customers’ interactions, a company is able to optimize customer satisfaction, which translates into increased profitability and revenue.

Since computerization has great influence on customer expectations, attitude, and actions in buying roles, therefore, companies have begun to change their approach towards CRM strategies and now they prefer to
manage every customer relationship electronically with the help of Web and WAP Phones. In fact, firms are now using tools like help-desk software, e-mail organizers and web development apps to personalize online customer experience. Effective CRM strategy has a multi-channel focus. In fact companies will have to effectively manage all customer communication channels including traditional letters, fax, and branch/retail outlets through to call centres including speech recognition and the emerging channels including email, the Internet, Video Kiosks and in the near future Interactive TV.

Customer Relationship Management not only consolidates customer information from multi channels---wireless devices, e-mail, or the web---but also attempts to solve the “data silo problem’ that many organizations have found themselves confronting. In fact, the marketers know the data exists somewhere in their organization, they just do not know where or how to get at it. CRM not only helps a firm in extracting valid, previously unknown, information from a large database but also in answering the most important questions like (Laudon and Laudon, 2004):

1. What is the value of a particular customer to the firm over his or her lifetime?
2. What are our most loyal customers?
3. Who are our most profitable customers? And
4. What do these profitable customers want to buy?

To attain this goal, firms deploy many technologies and decision science applications like data mining and data warehouse.

CRM enables an organization to accurately target prospects, improve sales productivity, decrease sales cycle and cost of sales, increase sales due to better opportunity management, enlarge loyal customer base, ensure high customer service standard, better reporting capability facilitating better decisions, ensures that the whole system becomes process driven and not personality driven, increase sales force productivity (for non eCRM systems), provide support and develop customer loyalty and hence increase the revenue base and profitability.

Customer relationship management aligns strategy, business culture, customer information and technology in order to manage customer interactions to the mutual benefit of the customer and the enterprise. At its highest use, CRM is a competitive strategy. William McKnight (2001) argues that one day, like operational excellence, rich product features, everyday low prices, high product quality and short time to market, some semblance of CRM will be ubiquitous and expected by our markets but in the meantime, each company has the opportunity to differentiate itself through CRM.

Although, CRM is still in its infancy yet it is expected that more and more companies would invest in it in near future because of its potential for improved customer service and increased revenue. In fact, marketers are now recognizing that CRM on the one hand helps them in the selection of profitable micro market segments and on the other hand makes them more customer-focused. Such a feeling makes CRM a strategic tool capable of building long lasting and mutually beneficial relationships between a firm and its customers.

Customer relationship management (CRM) architecture

As shown in Figure 1a, traditionally CRM used to constitute only business processes, a set of activities generally used by the firms to coordinate their works. Although, traditional CRM with cross functional processes used to cut across the traditional organization structure, yet it often used to fail to meet the growing demands and expectations of the customers. As the competition intensified, marketers realized that traditional CRM could not help them to remain market efficient. Therefore, they changed the outlook of the traditional CRM by incorporating technology solutions into business processes to make it market responsive and efficient. This integration of business processes and technology solutions has given birth to modern CRM as shown in Figure 1b. The CRM architecture mainly consists of two major components---operational and analytical CRM. Operational CRM constitutes the procedures, mechanisms and routines by which a firm’s offering is created and delivered to a customer. Whereas an analytical CRM refers to technology solutions that help operational CRM to optimize the total value of a firm’s market offering. A firm’s business processes technically called operational CRM creates a huge data which helps the management in decision-making. However, efficient and timely use of such data call for analytical CRM that not only creates data warehouse, a repository for an organization’s existing and on-going data on customer, contact, transaction and channel, but also provides tools for data analysis like data mining to turn stored data into knowledge. For better results, a firm must strike a balance between the components of CRM to make it effective and efficient. Since the existing analytical CRM products available in the market tend to reinforce existing operational CRM---business processes, therefore, there is a feeling among some business experts that such a tendency might hamper the integration of the CRM products into a firm’s marketing strategy and business processes. In fact, such integration would bring much better results if CRM products promote more innovative business processes that truly reflect customer-oriented operations.

Many executives believe that CRM simply calls for the purchase of software. However, they need to change such a perception as CRM software is one component of CRM and therefore, can be considered as an integral part of a firm’s marketing strategy and not a replacement for
it. On the one hand, CRM software helps a firm in the automation of business processes (Operational CRM) and on the other hand, in data warehousing and mining (Analytical CRM). Thus, a firm may need more than one software product to meet analytic and operational CRM needs. CRM can't help a firm to develop and sustain relationships with the customers unless its people are capable to make best use of both operational and analytical CRM. Thus, CRM calls for a perfect alignment of strategy, business processes, technology and people as shown in Figure 2.

CRM is the automation of horizontally integrated business processes with a sole aim to ensure coordination among business functions like marketing, sales, customer service and field support that are vital for customer touch points. Since the customer is the focal point of CRM, therefore, he is the building block for business and marketing strategy, corporate culture, information and technology.

**Customer relationship management (CRM) systems**

In today’s business world where customers are globally dispersed, face-to-face interaction between a customer and a company as a means of communication is an exception rather than the rule. The organizations, therefore, are interacting with their customers through multiple channels of communication to acquire essential information from them to remain effective. The dispersed and increased customer base has rendered the collection, consolidation and coordination of information for customized solutions and for managing customer relations a challenging job. In fact, the management of customer information is a difficult task particularly when the number of relationships to be managed is large and the capacity of front-office workers is limited. Consequently, the organizations lack detailed customer information regarding the individual value preferences of their customers. This virtually not only eliminates the possibility of providing a personalized value proposition to the customer but also their retention difficult.

To meet these challenges, firms over the past few years have been using the facilities of Customer Relationship Management Systems (CRMS) - a set of software applications that aim to integrate a firm’s sales, marketing, and customer service information. CRM with the help of technology enhances the capability of an organization to collect, synthesize, and disseminate quality information in an economic manner from geographically dispersed customers. These specialized computing systems leverage the power of digital technology by automating front office business functions to optimize an organization’s customer value exchange. They act as complementary mental assistants and increase the effectiveness, efficiency and personalization of customer value delivery, thereby improving customer satisfaction and reducing operating costs. In order to attain the goal of retaining customers, CRM systems help firms to synthesize information from all their contact points or "touch points"-including e-mail, call centers, sales and service representatives to support subsequent customer interactions as well as to inform market forecasts, product design, and supply chain management (Yu, 2001). These systems make available same real time information on each customer to a wide spectrum of people like sales personnel, web managers, call center personnel, resellers, and customer service representatives. Thus, CRM puts organizations at an advantage over the competitors.

![CRM Architecture](image-url)
The heart of CRM system is databases and tools for monitoring and evaluating the status of working relationships with individual customers (Anderson and Narus, 2004). In fact, the information about customer relationship helps the firms to reassign customers and allocate/redirect scarce resources in an optimal manner. With the help of today's vast storage capacity computer systems, the CRMS enhances the finite memory of front-office workers, making it possible for them to maintain intimate relationships with a virtually unlimited number of customers.

Since CRM is a customer centric philosophy, therefore, an organization needs to chart out its customer strategies, reformulate its business processes, and identify its information requirements before designing the system and acquiring the relevant software. However, the focus of CRM should be on CRM systems and procedures rather than on technology and software (Anderson and Narus, 2004). In fact, in the actual practice the most productive CRM systems are decidedly 'Low Tech', relying upon a combination of manual procedures, telephone, fax machines, and rudimentary information technology networks. The CRM systems should not only be easy to use, intuitively designed, and quick to adapt to changes, but should also provide requested information about the customers almost instantaneously. For an effective CRM System development and implementation, an organization should start from its customers.

INFORMATION SYSTEMS, TECHNOLOGY AND COMPETITIVE ADVANTAGE

The fundamental basis of long-run success of a firm is the achievement and maintenance of competitive advantage. Being 'Competitive' means cultivating unique strengths and capabilities, and defending them against imitation by other firms. These strengths and capabilities are the sources of a firm's 'Competitive Advantage'. Competitive advantage is achieved by deliberately choosing a different set of activities to deliver a unique mix of value through implementing a value-creating strategy not simultaneously being employed by current or prospective competitors or through superior execution of the same strategy as competitors.

Porter (1985) states that competitive advantage is the basis of an organization are above average performance in the long run, without which an organization will decline and eventually fail. In fact, for long run sustenance and superior performance, the organizations have to sustain competitive advantage. The competitive advantage is sustained when other firms are unable to duplicate the benefits of the firm's strategy (Barney, 1991). The sustainability demands that the competitive advantage resist erosion by competitive behavior or industry evolution (Porter, 1985). In fact, competitive advantage is sustained when customers continue to do business with the company, in the face of competition, while maintaining its profitability. Therefore, each company must find ways to attract and retain profitable customers.

Many people believe that the latest developments in technology would provide the firms new sources of competitive advantage. In today's technology dominated world, technical advancements have made duplication and substitution of processing technologies, systems, and resources in a very short time period a reality. These advancements enabled competing firms to acquire/duplicate the resources that provide competitive advantage to leading firms, and thus, are making key competitors more and more alike. This eroded competitiveness of most of the previous sources of competitive advantage making sustenance of competitive advantage
on these basis (mostly tangible) almost impossible. Peel (1987) argues that in an increased number of markets achieving differential advantage by quality, design, packaging or price is becoming increasingly difficult. This has led to an urgent need to find alternative routes to sustainable competitive advantage.

Under these dynamic and challenging circumstances competitive advantage can be achieved and sustained if it is based on superior resources and skills. These resources and skills may be tangible or intangible, on or off the balance sheet and mostly developed over a period of time. In fact such resources and skills that add unique value from the customer’s point of view to a firm’s market offering should be nurtured. However, in order to find and nurture the resources and skills that are valuable from the customers’ point of view, the organizations need customer information on a continuous basis at every step and in every process. The timely and accurate information which puts organizations at a competitive advantage is made available through CRM. The quality of information available to a company determines the nature of customer relations and the probability of customer acquisition and retention. The acquisition and retention of profitable customers, the basic goal of the strategy formulation in today’s relationship marketing era, is the ultimate test of a sustainable competitive advantage.

Although, technology revolution has brought many changes in the approach and response of the marketers towards the needs and expectations of their customers, yet firms need to focus on the information systems and not on the technology if they intend to attain a sustainable competitive advantage. Marketers must realize that a sustainable competitive advantage calls for relevant, adequate, and timely information created by the information systems. Consequently, the information systems capable of providing such information to the marketers are more essential to a firm than the technology that simply facilitates information systems to operate. A body of recent research points out that many CRM initiatives failed because executives mistake CRM software for a marketing strategy (Rigby et al., 2002). In fact, a CRM product helps a firm either in the automation of business processes as mentioned earlier or analysis of the data but the product itself is not a source of a sustainable competitive advantage. This brings to light an important fact that a CRM product might prove a source of leverage for a firm to improve its market performance and a failure for the other.

Although, many marketing scholars feel that CRM can serve as a strategic weapon in a competitive market yet the firms would fail to gain a competitive advantage from their CRM initiative because of diffusion of best practices and software products across the industry (Day, 2000a). Such diffusion not only puts the firms at competitive parity but also makes the identification of the firms’ distinctive capabilities difficult for the strategists. However, the innovative use of information technology can help a firm to enjoy first mover advantage, advantage from being first in marketing a product or technology, yet many believe that such innovations result only in ephemeral advantage that tends to neutralize by later movers (Robinson et al., 1992; Boulding and Christen, 2003). In fact, pioneering advantage is related to the time a firm (or brand) is in the market. As and when the brand is replicated by the competitors, the firm loses the pioneering advantage. In fact, Information technology and systems can be duplicated or improved, and thus cannot act as sustainable source of competitive advantage. Thus, the organizations that bank on technology will definitely fail to sustain competitive advantage. However, as already stated, sustenance of competitive advantage is provided by superior customer relations created through superior and timely customer information developed by unique combination of CRM processes and customer strategies. It is this integration of processes and technology that becomes difficult for competitors to imitate and thus provides sustenance to CRM advantage; therefore, it is a misconception that CRM advantage will lose its competitiveness.

The greatest promise of sustainability comes from business process advantages and not technology. In fact, competitive advantage flows from a holistic view of interdependent well-functioning sub-systems that are difficult for competitors to emulate. Therefore, competitive advantage stems from the combination of Information Technology, Information System and well-trained and highly motivated employees capable of effectively utilizing systems and technology. However, as the industry gains institutional experience, technology advantage would not be a sustainable one, but the ones based on unique and efficient business processes, and motivated and productive human resources would remain sustainable.

CUSTOMER RELATING CAPABILITY

Research studies conducted in the recent past indicate that the firms which succeed in creating and maintaining relationship with their most valuable customers shall achieve competitive advantage. Any firm that intends to use customer relationship for competitive advantage has to master the following three elements of a market-relating capability (Day, 2000b):

1. A relationship orientation must pervade the mind-set, values, and norms of the organization.
2. The firm must keep deepening its knowledge of these customers and putting it to work throughout the organization.
3. The key processes must be internally integrated and externally aligned with the corresponding processes of the firm’s customers.

At the heart of all these capabilities lies the capability
to develop and process relevant and timely customer information, enhanced through CRM systems.

Whether a firm gains a relational advantage will ultimately depend on the customers’ judgment that a close relationship with the firm will provide superior value. Such benefits, for example, might include superior responsiveness to service requests, or a customized solution precisely tailored to the customer’s needs. The strongest positional advantages are secured when customers are willing to make mutual commitments. These mutual commitments might range from open information exchanges or the creation of operational linkages to the cross-firm coordination of new product development activities. However, relationship-building strategies yield more productive results in some market environments than in others.

The contribution of a customer-relating capability to a firm’s competitive position depends on the profit potential that customized strategies may provide in the industry and the edge the firm enjoys over rivals in implementing this strategy. However, such a contribution depends on (1) the degree to which the market offers an attractive opportunity for a strategy that highlights customer-relationship building; and (2) the edge the firm enjoys over its competitors in pursuing this strategy. If the appropriate market conditions are present, the firm’s relationship advantage and hence CRM investment will be rewarded with lower rates of customer defection, greater customer loyalty and retention, and higher profit margins than those of its competitors.

IMPLICATIONS AND RECOMMENDATIONS

The framework presented in this paper provides a strategic approach as how to use Customer Relationship Management as a competitive weapon in the present day business. However, for the successful implementation of CRM, a firm needs to pay attention on the following:

1. Since CRM is based on customer-centric culture, therefore, a firm that intends to implement CRM must change organization culture from sales-driven to relationship-oriented. In fact, an organization needs to develop customer-centric culture across the essential areas of business like HRM, IMS and marketing.
2. Management of the organization must not only be committed to the development of CRM strategy but also ready to invest time, effort, and resources for the implementation of the strategy.
3. CRM involves a change not only in the way of thinking about how the business is run but also in many business processes that fall within the scope of marketing, sales, and customer service. Therefore, CRM calls for organization-wide change. An organization must be ready for such a transformation before it thinks to implement CRM strategy. The organizations that have implemented CRM without making the associated organizational changes have been disappointed with its performance (Kappert et al., 1999).
4. CRM cannot prove of significance unless it addresses every customer contact point and every mode of interaction. Therefore, the firms must integrate CRM as widely as possible across their organizations.
5. Since CRM involves automation of business processes, therefore, functional specialists who are currently in charge of these processes must possess knowledge of technology.
6. To impart such knowledge to these specialists, firms must organize training programmes, workshops and seminars for them.
7. Most organization do not have adequate infrastructure required for successful implementation of CRM strategy. Therefore, firms must develop such infrastructural facilities within their organization that are capable of providing support to enterprise CRM application.
8. The companies must make necessary arrangements within and outside their organizations to ensure a perfect integration between strategy, business processes, and software product(s) towards a common goal which is a key factor in the success of CRM.

Conclusion

A body of recent researches indicates that relationships rather than simple transactions should be the central focus in any business strategy. However, building successful and sustainable relationships with a large customer base is a real challenge for the marketers in the future. In fact, managing relationships with key customers not only calls for superior skills on the part of marketers but also creates the need for business process management. To attain this goal, the companies need to make business processes market efficient by incorporating technology in such processes. Thus, Customer Relationship Management which integrates strategy, technology, and marketing and communication processes across all customer touch-points is critical to corporate success. CRM is not simply a software product for customer retention but a systematic business approach that uses information and ongoing dialogue to establish, develop, maintain and optimize long-term mutually valuable relationships between customers and organizations. CRM enables a company not only in the product/service customization to meet the growing demands of existing customers but also helps it to attract new customers through superior customer satisfaction. In this paper an attempt has been made to educate marketers about the business operations and performance management which are crucial to the success of a CRM strategy.
REFERENCES


